

- Sawmill production up 18.7% in November, but shipments from coastal mills decline.
- 2.5 million passenger vehicles drove the Coquihalla in 2002.
- The average Canadian downed nearly 102 litres of coffee—and 9 litres of ice cream—in 2001.

## The Economy

- **Sawmills and planing mills in the province produced 18.7% more lumber this November than in the same month last year.** Both interior (+19.4%) and coastal (+15.7%) mills turned out substantially more lumber than in November 2001. However, the volume of lumber shipped from coastal mills was down 9.0%. Mills in the interior increased their shipments 12.1%, contributing to an overall jump of 7.5% in the volume of lumber shipped by BC producers. Canadian lumber production increased 7.0%, while shipments rose 4.0%.

Year-to-date, the volume of lumber produced in BC was up 9.9% and shipments were 7.3% higher than in the first eleven months of 2001.

*Source: SC, Catalogue 35-003-X1B*

- **The number of British Columbians receiving regular employment insurance (EI) benefits fell 2.8% (seasonally adjusted) between October and November, dropping to 65,080.** There were also fewer EI beneficiaries in Alberta (-1.8%) and Quebec (-1.4%), while the number of recipients was virtually unchanged in Ontario (+0.1%) and Manitoba (+0.1%). In Atlantic Canada, the number of beneficiaries rose in every province except New Brunswick (-4.1%). Nationally, there were 1.1% fewer EI beneficiaries in November (550,470) than in the previous month.

*Source: Statistics Canada*

- **2.5 million passenger vehicles travelled the Coquihalla in 2002, an increase of 3.1% over the previous year.** *Source: Ministry of Transportation data*
- **The number of planes taking off and landing at Canadian airports with NAV Canada control towers was down 1.9% in October, compared to the same month last year.**

There were 415,118 takeoffs and landings of commercial, military and private aircraft at major Canadian airports. Vancouver International reported 24,002 take-offs and landings, about twice as many as in Victoria (12,758). Traffic at the 56 smaller airports (those with flight service stations) was down 2.1%, to 104,239. Penticton (4,978) was the most active of these airports in the country.

*Source: Transport Canada*

## Financing Businesses

- **At the end of 2001, the total debt load of Canadian businesses was \$366.6 billion, down marginally from \$367.3 billion in the previous year.** Of this total, \$274.5 billion was owed by companies authorized to borrow \$1 million or more. Most (\$201.5 billion) of the debt was owed to domestic banks. Insurance companies (\$49.1 billion), other banks (\$40.7 billion), finance companies (\$39.8 billion) and credit unions (\$24.5 billion) were also important sources of funding for Canadian businesses. Portfolio managers, venture capital companies and financial funds held \$9.8 billion in outstanding debt.

Bad debts of businesses increased to \$2.3 billion in 2001, up from \$1.8 billion in the previous year. The loss rate (total losses as a percent of debt outstanding) rose from 0.5% to 0.6% in 2001. All lenders except credit unions reported higher loss rates. The steepest rise was in losses incurred by high-risk lenders such as portfolio managers and venture capital companies.

Finance companies (42%) and banks (33%) accounted for most of the \$21.6 billion of leases held in 2001. Leasing companies had just 17% of the market.

*Source: Statistics Canada*

### Did you know...

After falling to its lowest level in four decades in 2000, ice cream consumption in Canada rebounded in 2001. Canadians ate more than 9 litres of ice cream per person in that year.

### Liquid Refreshments

- **Coffee consumption continued to increase in 2001, with the average Canadian downing nearly 102 litres of the tasty brew.** Tea granies weren't able to keep pace with the coffee-lovers: tea consumption averaged just 73 litres per person. By comparison, the typical Canadian quaffed 83 litres (most of which was beer) of alcohol in 2001.

Source: SC, Catalogue 21-020-XIE

### The Nation

- **The federal government's debt stood at \$528.3 billion at the end of November.** Year-to-date, the federal government has spent \$8.2 billion less than it has taken in. Relative to the first eight months of the 2001/02 fiscal year, program spending has increased 5.9%, while revenues have fallen 2.8%. Lower overall debt levels and low interest rates continue to bolster the fiscal situation of the federal government. Public debt charges were down 10.3% year-to-date, falling to \$23.7 billion. Interest charges consumed 21 cents of every dollar received by the federal government year-to-date.

Source: Federal Department of Finance data

- **Canada's economy slowed in November, as real GDP edged up 0.1% following a 0.3% gain in October.** Goods-producing industries continued to limp ahead, growing 0.1% for the second month in a row. Only once (in July) during the last half-year has the goods sector posted a significant increase. Primary industries picked up speed, with GDP advancing 0.9% in mining and 0.8% in the rest of the sector. Construction (+0.3%) and manufacturing (+0.1%) made modest gains, but the utility industry slipped back 1.7%.

For the second time in the last three months, GDP in the service sector edged up just 0.1%, as weakness in the retail industry (-1.1%) pulled down the overall performance of the sector. Other service industries also had a dull November: GDP was flat in the financial sector (0.0%) and rose only marginally in the transportation (+0.1%), accommodation & food services (+0.1%) and repair & personal service (+0.1%) industries. Arts & recreation (+0.9%) and information & cultural services

(+0.6%) boosted the sector's overall performance.

Source: Statistics Canada

- **Manufacturers prices rose 2.8% in December.** The year-over-year increase in the industrial product price index, which was the highest since May 2001, was partly due to a spike in petroleum and coal prices (+24.5%), combined with rising prices for primary metals (+8.4%), and fruits, vegetables and feed (+5.5%). Producers of chemicals also received substantially more for their products (+3.5%) than they had a year earlier.

Forest product prices remained weak. Overall, pulp and paper prices were down 2.5%, while lumber and wood prices were also soft (-1.3%). BC's softwood lumber producers saw prices fall 3.7% relative to December 2001. Prices for newsprint exports (-10.6%) and wood pulp (-2.6%) were down substantially.

Source: Statistics Canada

- **Although industrial prices climbed at the end of the year, the overall producer price level in 2002 was unchanged from the previous year.** Prices for forest products softened. BC producers of softwood lumber saw the value of their product erode (-1.0%) for the third year in a row. Newsprint export prices slumped (-21.8%) after soaring prices (+16.7%) in 2001, and wood pulp prices were down (-9.1%) for the second year in a row. Canadian producers received virtually the same price for coal (+0.4%) as in the previous year, but natural gas prices fell 16.3%.

Source: Statistics Canada

- **Canada's composite leading indicator moved up 0.4% (seasonally adjusted and smoothed) in December, after oscillating around the 0.2% mark from August to November.** The increase in the leading index was largely due to stronger consumer demand for goods and services. Business and personal services employment was up 0.7%, and sales of furniture and appliances (+0.4%) and other durable goods (+0.5%) increased.

Source: Statistics Canada

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## The B.C. Labour Market in 2002

**Employment . . .** In 2002, B.C. employment increased by 31,000 or 1.6 per cent from 2001 on an annual average basis. With the exception of 2001, employment in B.C. has increased every year since 1983.

Employment in the goods sector increased by 1.8 per cent or 7,000 in 2002. Industries in the goods sector that showed the most improvement in employment were agriculture and construction. These gains were partially offset by employment losses in other primary (forestry, fishing, mining, oil and gas).

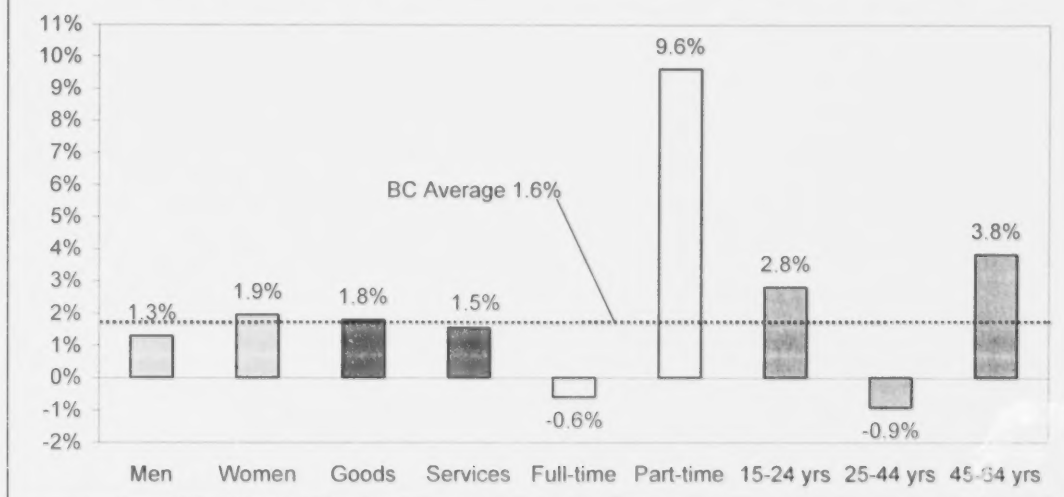
Employment in the services sector grew 1.5 per cent or 24,000 in 2002. Most of the growth came from retail and wholesale trade, transportation, finance, insurance, real estate and leasing, education services, and health care and social assistance services. These gains were partially offset by employment losses in professional, scientific and technical services and public administration.

All of B.C.'s employment increase in 2002 was among part-time workers, who sustained job gains of 9.6 per cent (up 39,600). This was partially offset by the 0.6 per cent decrease in full-time employment (down 8,500). The part-time gains were shared by men and women (up 16.7 and 6.0 per cent respectively). Men experienced almost all of the full-time job losses (down 0.9 per cent).

The number of self-employed workers increased by 4.0 per cent in 2002. Private sector employment grew by 1.2 per cent while public sector employment remained unchanged.

Employment growth of 3.8 per cent for persons aged 45 to 64 was bolstered in part by demographics, as the number of baby boomers entering this cohort strongly exceeded pre-baby boomers leaving the cohort. Male and female youth aged 15 to 24 also saw employment growth (up 2.8 per cent). Those 25 to 44 years of age saw employment decrease by 0.9 per cent, compared to the provincial average employment gain of 1.6 per cent for all age groups.

Figure 1: Growth in B.C. Employment for Key Variables (actual) 2001 to 2002



**Employment and Unemployment Rates During 2002 . . .** Figure 2 shows B.C. employment increased throughout most of 2002 until September but has pulled back somewhat over the last three months.

The unemployment rate in 2002 dipped to a low in August of 7.8 per cent, and has risen back slightly into the 8.1 to 8.5 per cent range over the last four months.

While events of September 11th obviously had an effect on the B.C. economy in 2001, employment during 2002 more than fully regained all of the losses seen in 2001.

The employment-to-population ratio in 2002 rose to 59.4 per cent from 59.2 per cent in 2001.

**Unemployment Changes in 2002 . . .** The provincial annual average unemployment rate increased to 8.6 per cent in 2002 from 7.7 per cent in 2001 which represents an increase of 23,300 unemployed individuals.

The annual average unemployment rate rose for both men and women (see Figure 3). The unemployment rate for men increased by 0.6 percentage points to 9.1 per cent, up from 8.5 per cent in 2001. Women experienced a slightly greater increase in the unemployment rate, which rose 1.2 percentage points to 7.9 per cent from 6.7 per cent.

The largest change in the annual average unemployment rate was experienced by youth. The rate rose to 14.9 per cent in 2002 from 13.6 per cent in 2001. Young women experienced a greater increase in the unemployment rate than young men during 2002.

The 25-44 age group experienced an increase in the unemployment rate to 8.2 per cent in 2002 from 7.4 per cent in 2001. This increase was only slightly lower than the 0.9 percentage point increase experienced overall.

Workers aged 45 to 64 continued to enjoy the lowest unemployment rate of the three age groups, at 6.3 per cent in 2002. But this was up from the 5.4 per cent level experienced in 2001.

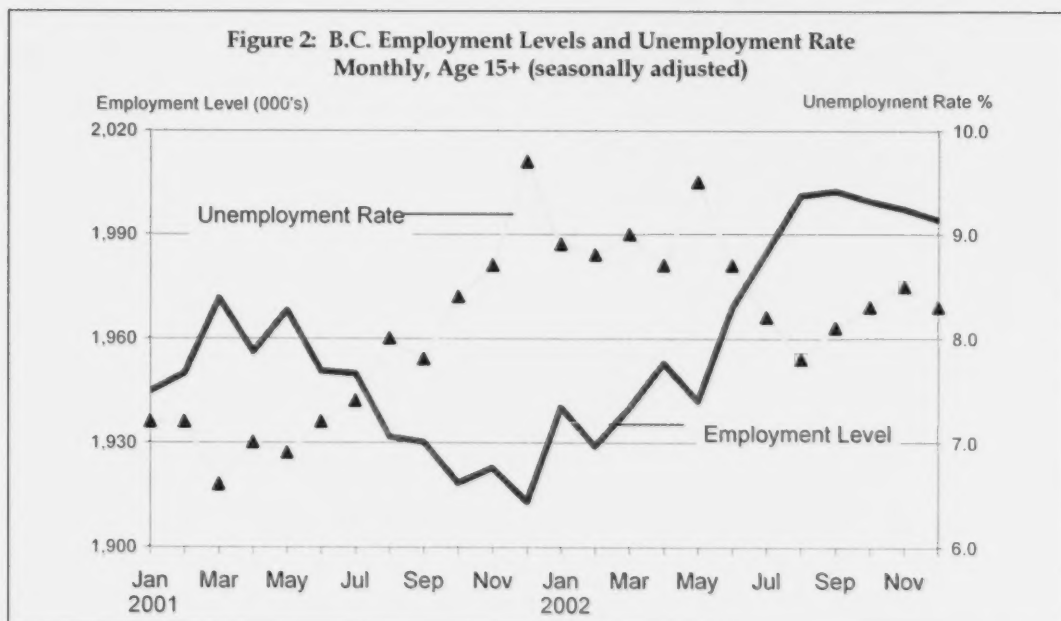
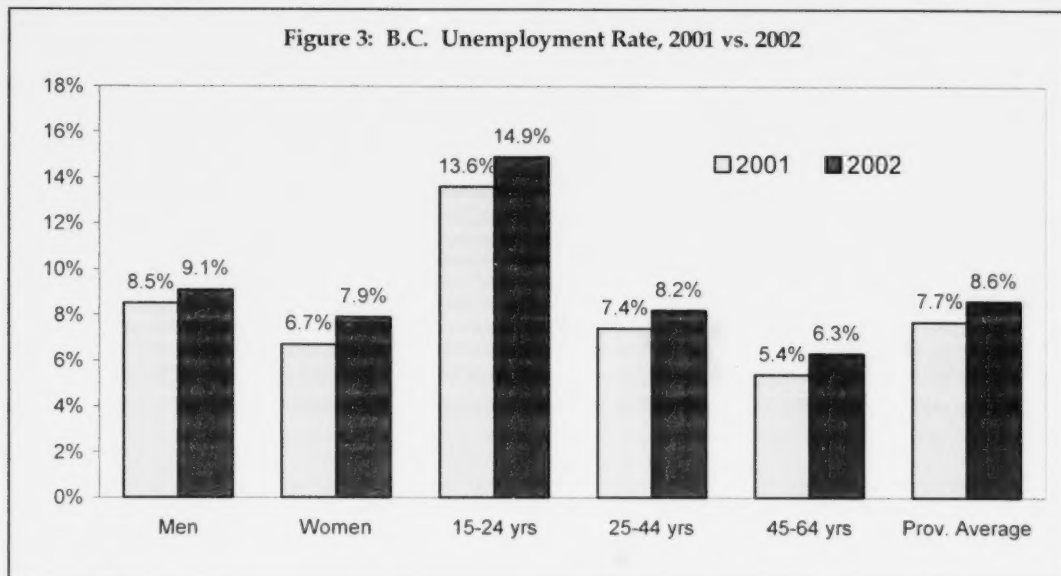


Figure 3: B.C. Unemployment Rate, 2001 vs. 2002



**Employment by Industry.** . . B.C.'s goods sector expanded by 7,000 workers (up 1.8 per cent) in 2002, while the services sector saw an employment gain of 24,000 or 1.5 per cent. See Figure 4 for a detailed breakdown of employment by industry.

In the goods sector, there were noted employment gains in agriculture (4,200) and construction (5,700). Other primary (forestry, fishing, mining, oil and gas) lost 4,400 jobs in 2002 (down 10.2 per cent). Manufacturing saw little change from 2001.

In the services sector, most of the net gains in jobs came from retail and wholesale trade (9,500 or 3.1 per cent), transportation and warehousing (3,200 or 3.0 per cent), health care and social assistance (13,500 or 6.6 per cent), and education services (4,000 or 2.9 per cent). Services-sector industries that lost employment included professional, scientific and technical services (down 4,300 or 3.0 per cent) and public administration (down 4,140 or 4.6 per cent). The job loss in public administration in B.C. was all sustained by the provincial public administration sub-sector.

Figure 4 also provides a long-term perspective on changes in industry employment with annual average growth changes between 1992 and 2002. The services sector has seen much higher growth than the goods sector over this period. Within the goods sector, only manufacturing has averaged above one per cent annual average growth since 1992.

Since 1992, the services sector has grown through a number of "new economy" and business services such as: professional/scientific/technical services; management/administrative/other support; and information/culture/recreation. By contrast, traditional service industries, including the larger retail & wholesale trade and transportation & warehousing sectors, have grown slower than average over the ten year period. Public administration is the only component in the services sector that has seen an overall employment loss over the past ten years



Figure 4: Industry Employment Levels and Growth in B.C., Annual Averages

|  | 1992          | 2000          | 2001          | 2002          | %<br>Change<br>2001-<br>2002 | Average<br>Annual %<br>Change<br>1992-2002 |
|--|---------------|---------------|---------------|---------------|------------------------------|--|
| <b>All Industries*</b>                               | <b>1620.3</b> | <b>1949.1</b> | <b>1942.4</b> | <b>1973.4</b> | <b>1.6%</b>                  | <b>2.2%</b>                                |
| <b>Goods-Producing Sector</b>                        | <b>372.0</b>  | <b>414.4</b>  | <b>392.0</b>  | <b>399.0</b>  | <b>1.8%</b>                  | <b>0.7%</b>                                |
| Agriculture  | 30.5          | 29.7          | 25.9          | 30.1          | 16.2%                        | -0.1%                                      |
| Other Primary (forestry, fishing, mining, oil & gas) | 48.2          | 55.4          | 43.3          | 38.9          | -10.2                        | -1.9%                                      |
| Utilities  | 11.3          | 11.3          | 11.7          | 12.4          | 6.0%                         | 1.0%                                       |
| Construction   | 114.3         | 112.5         | 114.9         | 120.6         | 5.0%                         | 0.6%                                       |
| Manufacturing  | 167.7         | 205.4         | 196.2         | 196.9         | 0.4%                         | 1.7%                                       |
| <b>Services-Producing Sector</b>                     | <b>1248.3</b> | <b>1534.7</b> | <b>1550.4</b> | <b>1574.4</b> | <b>1.5%</b>                  | <b>2.6%</b>                                |
| Retail and Wholesale Trade                           | 265.2         | 303.2         | 309.5         | 319.0         | 3.1%                         | 2.0%                                       |
| Transportation and Warehousing                       | 100.5         | 114.4         | 106.9         | 110.1         | 3.0%                         | 1.0%                                       |
| Finance, Insurance, Real Estate and Leasing          | 109.3         | 119.5         | 116.2         | 118.9         | 2.3%                         | 0.9%                                       |
| Professional, Scientific and Technical Services      | 86.6          | 136.4         | 141.1         | 136.7         | -3.1%                        | 5.8%                                       |
| Management, Administrative and Other Support         | 40.6          | 71.9          | 73.9          | 74.7          | 1.1%                         | 8.4%                                       |
| Educational Services                                 | 106.1         | 134.9         | 135.7         | 139.7         | 2.9%                         | 3.2%                                       |
| Health Care and Social Assistance                    | 162.9         | 202.1         | 203.8         | 217.3         | 6.6%                         | 3.3%                                       |
| Information, culture and recreation                  | 65.3          | 99.3          | 106.1         | 105.6         | -0.5%                        | 6.2%                                       |
| Accommodation and food services                      | 130.8         | 164.0         | 170.6         | 171.0         | 0.2%                         | 3.1%                                       |
| Other services                                       | 81.8          | 99.3          | 97.8          | 96.8          | -1.0%                        | 1.8%                                       |
| Public administration                                | 99.3          | 89.7          | 88.8          | 84.7          | -4.6%                        | -1.5%                                      |

\* The sum of the industries may not add to the provincial total due to rounding.

**Regional Labour Markets . . .** The overall net job gain in B.C. during 2002 was chiefly due to employment growth in the large and diversified Lower Mainland/Southwest region. Employment in the region grew 33,700 or 2.8 per cent. Despite this, the unemployment rate increased to 7.8 per cent from 6.6 per cent. Employment also grew in the Vancouver Island/Coast region in 2002, up by 6,700 or 2.2 per cent after two consecutive years of job losses in this region.

All other regions of B.C. saw employment losses in 2002 except the Northeast region, which remained almost unchanged (see Figure 5).

The unemployment rate for all regions except Vancouver Island/Coast increased in 2002. Similarly, the ratio of employment-to-population decreased in the same four regions where employment fell.

**Figure 5: B.C. Regional Labour Market Changes, Annual Average 2001 and 2002**

| Development Region     | Employment<br>(000's)* |        |        | Unemployment<br>Rate (%) |       | Employment/<br>Pop Ratio |       |
|------------------------|------------------------|--------|--------|--------------------------|-------|--------------------------|-------|
|                        | 2001                   | 2002   | % Chg. | 2001                     | 2002  | 2001                     | 2002  |
| Vancouver Island/Coast | 305.3                  | 312.0  | 2.2%   | 9.1%                     | 8.7%  | 54.0%                    | 54.8% |
| Lower Mainland/S.W.    | 1,187.9                | 1221.6 | 2.8%   | 6.6%                     | 7.8%  | 61.0%                    | 61.6% |
| Thompson/Okanagan      | 213.7                  | 210.0  | -1.7%  | 9.2%                     | 9.3%  | 55.5%                    | 53.7% |
| Kootenay               | 71.9                   | 68.3   | -5.0%  | 9.6%                     | 10.1% | 57.9%                    | 54.5% |
| Cariboo                | 83.0                   | 81.9   | -1.3%  | 9.7%                     | 12.7% | 61.3%                    | 60.4% |
| North Coast/Nechako    | 47.4                   | 46.3   | -2.3%  | 10.9%                    | 12.7% | 63.8%                    | 62.3% |
| Northeast              | 33.2                   | 33.4   | 0.6%   | 5.9%                     | 9.1%  | 69.0%                    | 69.7% |
| B.C.                   | 1,942.4                | 1973.4 | 1.6%   | 7.7%                     | 8.6%  | 59.2%                    | 59.4% |

\* The sum of the regions may not add to the provincial total due to rounding

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| BC at a glance . . .   |              |                          |
|--|--------------|--------------------------|
| POPULATION (thousands)   |              | % change on one year ago |
|  | Oct 1/02     |                          |
| BC   | 4,151.0      | 0.9                      |
| Canada   | 31,485.6     | 0.9                      |
| GDP and INCOME   |              | % change on one year ago |
| (BC - at market prices)  | 2001 Revised |                          |
| Gross Domestic Product (GDP) (\$ millions)   | 130,859      | 1.2                      |
| GDP (\$ 1997 millions)   | 123,912      | -0.2                     |
| GDP (\$ 1997 per Capita)   | 30,252       | -1.1                     |
| Personal Disposable Income (\$ 1997 per Capita)  | 19,513       | 1.2                      |
| TRADE (\$ millions, seasonally adjusted)   |              | % change on prev. month  |
| Manufacturing Shipments - Nov  | 2,899        | -0.7                     |
| Merchandise Exports - Nov  | 2,298        | -5.4                     |
| Retail Sales - Nov   | 3,391        | 0.0                      |
| CONSUMER PRICE INDEX   |              | 12-month avg % change    |
| (all items - 1992=100)   | Dec '02      |                          |
| BC   | 118.8        | 2.3                      |
| Canada   | 120.4        | 2.2                      |
| LABOUR FORCE (thousands)   |              | % change on prev. month  |
| (seasonally adjusted)  | Dec '02      |                          |
| Labour Force - BC  | 2,176        | -0.3                     |
| Employed - BC  | 1,994        | -0.2                     |
| Unemployed - BC  | 182          | -2.2                     |
|  |              | Nov '02                  |
| Unemployment Rate - BC (percent)   | 8.3          | 8.5                      |
| Unemployment Rate - Canada (percent)   | 7.5          | 7.5                      |
| INTEREST RATES (percent)   | Jan 29/03    | Jan 30/02                |
| Prime Business Rate  | 4.50         | 3.75                     |
| Conventional Mortgages - 1 year  | 4.90         | 4.55                     |
| - 5 year   | 6.45         | 7.00                     |
| US/CANADA EXCHANGE RATE  | Jan 29/03    | Jan 30/02                |
| (avg. noon spot rate) Cdn \$   | 1.5227       | 1.5912                   |
| US \$ (reciprocal of the closing rate)   | 0.6569       | 0.6294                   |
| AVERAGE WEEKLY WAGE RATE   |              | % change on one year ago |
| (industrial aggregate - dollars)   | Dec '02      |                          |
| BC   | 676.45       | 5.1                      |
| Canada   | 651.35       | 1.6                      |
| <b>SOURCES:</b><br>Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada<br>Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics<br>For latest Weekly Financial Statistics see <a href="http://www.bankofcanada.ca">www.bankofcanada.ca</a> |              |                          |

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